

**PROGRESS REPORT  
MUNICIPAL INFRASTRUCTURE SUPPORT PROGRAM  
PHASE II**

PERIOD OF PERFORMANCE  
2 AUGUST 2001 – 31 MARCH 2003

AMY OSBORN  
USAID COGNIZANT TECHNICAL OFFICER  
PODGORICA, MONTENEGRO

PREPARED FOR THE AGENCY FOR INTERNATIONAL DEVELOPMENT  
1ST QUARTER 2003

SUBMITTED APRIL 25, 2003

BY

**INTERNATIONAL CITY MANAGEMENT ASSOCIATION**

USAID AWARD No. 170-A-00-01-00103-00

**PROGRESS REPORT  
MUNICIPAL INFRASTRUCTURE SUPPORT PROGRAM  
PHASE II**

**TABLE OF CONTENTS**

|             |   |  |
|-------------|---|--|
| <b>I.</b>   | <b>INTRODUCTION.....</b>  |  |
|             | .....1  |  |
|             | GOALS/OBJECTIVES  |  |
|             | COUNTERPARTS  |  |
| <b>II.</b>  | <b>ACCOMPLISHMENTS.....</b>                                     |  |
|             | .....1  |  |
|             | A. IMPROVED MUNICIPAL PROJECT PLANNING AND DESIGN CAPABILITIES  |  |
|             | B. IMPROVED MUNICIPAL FINANCIAL MANAGEMENT SKILLS AND PRACTICES |  |
|             | C. IMPROVED UNDERSTANDING OF PUBLIC PROCUREMENT LAW             |  |
|             | D. IMPROVED MUNICIPAL CONSTITUENCY OUTREACH SKILLS              |  |
| <b>III.</b> | <b>CHALLENGES.....</b>  |  |
|             | .....4  |  |
|             | CONTRACTOR DIFFICULTIES   |  |
|             | MUNICIPAL JOINT FINANCING OBLIGATIONS                           |  |
| <b>IV.</b>  | <b>PLANNED</b>  |  |
|             | <b>ACTIVITIES.....</b>  |  |
|             | 5   |  |
|             | A. IMPROVE MUNICIPAL PROJECT PLANNING AND DESIGN CAPABILITIES   |  |
|             | B. IMPROVE MUNICIPAL FINANCIAL MANAGEMENT SKILLS AND PRACTICES  |  |
|             | C. IMPROVE UNDERSTANDING OF PUBLIC PROCUREMENT LAW              |  |
|             | D. IMPROVED MUNICIPAL CONSTITUENCY OUTREACH SKILLS              |  |

## **I. INTRODUCTION**

### **Goals/objectives:**

The International City/County Management Association (ICMA) established the *US – Montenegro Partnership for Municipal Development* in November 1999, initially under a one-year grant from the U.S. Agency for International Development (USAID). Phase I activities were designed to assist local governments in responding more effectively and efficiently to increased demands on municipal services due to the influx of internally displaced persons from the Kosovo conflict. The ICMA grant, expanded and extended until February 2003, served as the technical and operational hub for USAID assistance to the local government sector in Montenegro.

The Municipal Infrastructure Support Program (MISP) was conceived as support to the Partnership for Municipal Development to accomplish several goals:

- Sustain the reforms once the local government laws are enacted
- Provide projects demonstrating transparent municipal finance
- Increase citizen participation
- Build service-delivery capacity of local governments

Seven municipalities receive infrastructure grants to undertake specific capital investment projects as a training tool to refine and leverage Partnership policy reform and capacity building activities. In addition, the program will assist municipalities to develop their capabilities in the areas of multi-year financial planning and Capital Improvement Planning (CIP). The technical assistance component of the project is intended to enhance the capabilities of municipalities to assume responsibility for their own infrastructure development.

ICMA/MISP offers an integrated package of training and technical interventions designed to:

- A. Improve municipal project planning and design
- B. Improve municipal financial management
- C. Familiarize municipalities with the new Public Procurement Law (PPL), and provide active municipal project management pursuant to the new law
- D. Improve Municipal Constituency Outreach Skills

### **Counterparts:**

The municipalities of Tivat, Kotor, Ulcinj, Cetinje, Nikšić, Pljevlja and Berane.

## **II. ACCOMPLISHMENTS:**

|   |
|---|
| <b>( A ) Improve Municipal Project Planning And Design Capabilities</b> |
|---|

### ***Development of municipal projects:***

Under ICMA/MISP the municipalities play the lead role in planning, proposing, designing, and undertaking the infrastructure projects. ICMA/MISP provides technical assistance (TA), training, and review. Projects are to be developed in three rounds, to provide multiple opportunities for hands-on experience by the municipalities. In the 1<sup>st</sup> round, ICMA tenders the projects while training the municipal staffs. The first round projects, though tendered by ICMA, have the documents prepared according to the Law on Public Procurement. During the 2<sup>nd</sup> and 3<sup>rd</sup> rounds the municipalities will tender the projects per the Law on Public Procurement with ICMA/MISP assistance and oversight.

- ICMA/MISP completed the construction/procurement of all projects, except for Kotor 2<sup>nd</sup> and 3<sup>rd</sup> rounds (bridge project)
- ICMA/MISP continued the construction administration (CA) hands-on training for municipal counterparts. Needs assessments are continuously used to identify areas of CA which require focused training for each project.
- MISP continued the program meetings with each of the seven mayors and municipal officials to discuss project progress and status.

### **Review of projects:**

- Assisted Berane and Cetinje in the receipt of contracted equipment. Equipment procurement is somewhat different from Works procurement: This provided the municipalities with a more rounded experience in how to tender and manage procurements under the PPL.

### **OUTPUTS:**

- Project closeout on all but one project.
- Receipt of equipment procured.

### **RESULTS/IMPACTS:**

- Substantial hand-on training in proper preparation of technical documents (specifications and drawings) in the detail and format needed for proper tendering under the PPL
- Identified probable obstacles to rapid implementation encountered in working with municipalities. Remedial measures developed and assistance targeted to ensure a more effective and efficient process going forward.
- All scheduled projects completed, except for one

|   |
|---|
| <b>( B )    Improve Municipal Financial Management Skills and Practices</b> |
|---|

\*\*\* See Partnership Quarterly/Final Report for detail on these activities\*\*\*

## **Capital Budgeting and Capital Improvement Planning (CIP)**

- No MISP activities on this topic during this quarter

### **OUTPUTS:**

#### **Municipal Budgeting**

- No MISP activities on this topic during this quarter
- Coordinated with CRDA programs on need for CRDA involvement in next round of municipal capital budgeting

### **OUTPUTS:**

- CRDA implementers sensitized and made more aware of municipal processes and the need for earlier involvement
- Discussed with municipal officials the need to continue to involve citizens in CIP development and that CRDA provided them with one means to accomplish this.

### **RESULTS AND IMPACTS:**

- Recognition by municipalities that the budgeting process needs to consider long-term items as well as immediate items, and continued need for citizen involvement.

**( C ) Familiarize municipalities with the new Public Procurement Law, and provide active municipal project management pursuant to the new law**

- No MISP activities on this topic during this quarter

**( D ) Improve Municipal Constituency Outreach Skills**

## **Citizen Participation Project Design:**

Through the Partnership, a comprehensive citizen participation component has been designed to build awareness among our counterparts of the advantage and necessity of creating 2-way communication between government and its citizens and to build capacity and provide training for government officials to sustain an open and transparent system of government, which allows, encourages and empowers citizens to participate in decision-making at the

local level. While serving to complement and reinforce existing activities, this citizen participation component will enrich democratic development of citizens and government officials and ultimately facilitate sustainable implementation of policy reforms.

- Continued coordination with CRDA programs
- Talking to counterparts about importance of CRDA program

## **OUTPUTS:**

## **RESULTS/IMPACTS:**

- Counterparts are continuously made aware of the importance and benefits of actively involving citizens in policy decisions, which affect them and have expressed a willingness to work in partnership with ICMA to develop further activities to strengthen participatory processes.

## **III. CHALLENGES AND ISSUES**

### **Contractor Difficulties**

ICMA/MISP continued to experience contractor difficulties in this reporting period. As detailed in the previous quarterly report, the contractor Nival experienced further construction problems and delays on Pljevlja 1<sup>st</sup> and 2<sup>nd</sup> round projects due to disorganization. The delays pushed construction into the middle of winter, resulting in work stoppage and after consultation with municipal officials, termination of the contracts with Nival. Municipal officials have made arrangements to complete the remaining portion of the works as soon as the weather allows.

As also detailed in the previous quarterly report, ICMA/MISP continued to work with USAID/Montenegro, the contractor Nizke In Rudarske Gradnje (formerly Gradis Nizke Gradnje) as well as the Slovenian consul in Podgorica to release advance payment and performance securities for 2<sup>nd</sup> and 3<sup>rd</sup> round Kotor projects which were blocked by a temporary Slovenian court order. These efforts were successful and the security monies were paid to ICMA/MISP in full in this reporting period.

### **Municipal Joint Financing Obligations**

Prior to signing each ICMA/MISP contract, the joint financing obligation of each municipality was formalized in the form of a Project Implementation Agreement (PIA). Municipalities were also required to cover their joint financing obligations by means of a bank guarantee or establishment of an escrow account for the required amounts. As project implementation progressed, ICMA/MISP issued written reminders to the municipalities on a regular basis with regard to these obligations. By the end of the last reporting period most partner municipalities had failed to meet their obligations, for two reasons: (1) higher priority financial obligations due at the end 2003, such as back salary payments to municipal

employees; and (2) the failure of the Republic government to remit revenue owed to municipalities in a timely manner.

In this reporting period however, every partner municipality had either met its financial obligation in full, or paid a substantial portion. By March 31, municipalities had remitted over \$270,000 to ICMA/MISP. The final quarter will most likely see the last outstanding funds remitted, estimated at \$45,000.

#### **IV. FUTURE ACTIVITIES**

|   |
|---|
| <b>( A ) Improve municipal project planning and design capabilities</b> |
|---|

- Finalize close-out procedures on remaining Kotor project

|  |
|--|
| <b>( B ) Improve Municipal Financial Management Skills And Practices</b> |
|--|

- No activities for this topic planned next quarter

|  |
|--|
| <b>( C ) Familiarize municipalities with the new Public Procurement Law, and provide active municipal project management pursuant to the new law</b> |
|--|

- Work with Kotor to close out project contract and to archive procurement records.
- Make progress payments and final payment to Kotor project contractor in consultation with municipal officials and after verification and reconciliation of contractor payment request documentation.
- In coordination with USAID/Montenegro, continue to pursue payment of the joint financing obligations owed by partner municipalities to the ICMA/MISP Program.

|   |
|---|
| <b>( D ) Improve Municipal Constituency Outreach Skills</b> |
|---|

- Continue to coordinate with CRDA.